

September 8, 2020

Members of the Texas House Insurance Committee

Via email to Sergio.Cavazos_HC@house.texas.gov

Re: Request for information on COVID-19 and auto insurance claims

Dear Chairman Lucio and Members of the Committee:

On behalf of the National Association of Mutual Insurance Companies (NAMIC),¹ thank you for the opportunity to provide comments on the interim charges of the Texas House Committee on Insurance. This letter offers comments on your request for information regarding the impact of COVID-19 on auto insurance claims and related issues.

As it has been for many industries, the COVID-19 pandemic was and continues to be an unprecedented situation for auto insurers. While facing their own operational challenges during this uncertain time, auto insurers in Texas have taken numerous actions to work with affected policyholders by suspending cancellations, extending grace periods and payment plans, waiving fees and exclusions, and providing direct premium adjustments and/or refunds.

NAMIC believes the approach Texas has taken to this issue thus far is the correct one: allowing individual companies operating in the very competitive auto insurance market to determine the appropriate actions they can responsibly take as the pandemic evolves.

There is no question that the pandemic led to a significant decrease in traffic volume in Texas in the spring compared to what would have occurred in a “normal” year. The amount of crashes also decreased—although as discussed further below, there are indications that the number of serious crashes did not decrease proportionately. Companies responded to these changes by taking unprecedented steps to adjust rates, return money to policyholders, or both. While companies have and will continue to evaluate these issues using the best information available, there is still a great deal of uncertainty about the long-term impacts of COVID-19 on auto claims experience.

¹ NAMIC is the largest property and casualty insurance trade association in the country, with more than 1,400 member companies. NAMIC supports regional and local mutual insurance companies as well as some of the country’s largest national insurers. Nationally, NAMIC members companies write \$273 billion in annual premiums, and our members account for 58 percent of homeowners, 44 percent of automobile, and 30 percent of the business insurance markets. NAMIC has 243 member companies doing business in Texas.



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For one, traffic volume in Texas has unquestionably increased markedly since the spring. U.S. Department of Transportation data for Texas for June 2020, the most recent month available, show that estimated miles driven in Texas increased about 8 percent from May to June 2020, and that estimated miles driven in June 2020 were back to almost 90 percent of the volume in June 2019.² A visual demonstration of the changes in the early and more recent stages of the pandemic can be viewed at the Inrix website (<https://inrix.com/covid-19-transportation-trends/activity-re-emergence/>). This traffic data analysis firm features graphic comparisons of traffic volumes in Dallas and Houston on April 11 and June 12, 2020, and reveals that traffic in many areas has rebounded significantly. In addition, publicly available Apple mobility data (available at <https://covid19.apple.com/mobility>), which is based on requests for driving directions, suggest that in Texas driving began to exceed the pre-COVID-19 baseline in early May, and has been consistently above that baseline since.³

Open roads were also not necessarily safe roads. According to media reports, while citations for violations like speeding decreased with traffic during the spring, violations for speeding in excess of 100 miles an hour in the Houston area reached record levels in March, April, and May, when 123, 171, and 175 such violations were issued, respectively. Fifty-three of these violations were for speeds greater than 50 miles an hour over the posted limit.⁴ And an online crash database, for example, showed the overall number of crashes in Texas in June 2020 compared to June 2019 decreased by about 18 percent, but that the number of crash fatalities actually increased, both in raw numbers (307 in June 2020 vs. 277 in June 2019) and as a percentage of crashes.⁵ Decreases in claim frequency could be quickly offset by increases in claim severity.

It is impossible to say whether these data mean that driving in Texas will permanently rebound, during the remainder of the pandemic or post-COVID. The long-term implications of the pandemic on driving, as on many other areas of life, remain uncertain. This uncertainty argues for allowing companies to continue the careful study of data to respond as conditions change, rather than for a more proscriptive approach.

Finally, it is important to keep in mind that miles driven is only one component of assessing the risk on an auto policy. There are some risks on auto policies that are entirely unrelated to miles driven, and which may even increase when cars are idle more often. Media reports in Austin indicated a 50

² See U.S. Department of Transportation, *Traffic Volume Trends*, available at https://www.fhwa.dot.gov/policyinformation/travel_monitoring/20juntvt/20juntvt.pdf. All websites referenced in this letter were last accessed on Sept. 8, 2020.

³ For example, in Texas, searches for driving directions on Saturday, March 21, 2020 were 62.1 percent of the January 13, 2020 pre-COVID-19 baseline, while driving direction searches on Saturday, August 22, 2020 were 147.6 percent of that same baseline. Indeed, since May 26, 2020, searches for driving directions in Texas have only fallen below the January 13, 2020 pre-COVID baseline on three days, and only slightly below in each case.

⁴ See <https://www.houstonchronicle.com/news/transportation/article/road-deaths-coronavirus-texas-houston-tx-dot-15386383.php>.

⁵ See <http://crashometry.com/>.



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percent increase in April in auto thefts, and an increase in auto burglaries. Other threats also loom: insurers paid more than 200,000 auto claims, many for total losses, from Hurricane Harvey, and a slightly different track by one of the two tropical systems to affect Texas so far this year could have produced many more such claims. Any mandates for companies to pay customers for not driving may hamper those carriers' ability to reliably pay claims for other covered perils.

Thank you again for the opportunity to comment. Please feel free to contact me if I may provide additional information.

Sincerely,

Jon Schnautz
Regional Vice President
Southwest Region
National Association of Mutual Insurance Companies (NAMIC)